

IN THE UNITED STATES
PATENT AND TRADEMARK OFFICE

Appl. No. : 10/029,997
Applicants : Grace Tsui-Feng Chang, et al.
Filed : December 27, 2001
TC/A.U. : 3621
Examiner : James A. Reagan
Atty. Docket : US010470

Title: SYSTEM AND METHOD FOR CONTROLLING
DISTRIBUTION OF DIGITAL COPYRIGHTED
MATERIAL USING A MULTI-LEVEL
MARKETING MODEL

APPEAL BRIEF

Mail Stop Appeal Brief Patents
Commissioner for Patents
P.O. Box 1450
Alexandria, Virginia 22313-1450

Sir:

This Appeal Brief is submitted in support of the Notice of Appeal filed September 11, 2006.

I. Real Party in Interest:

The real party in interest is Koninklijke Philips Electronics, N.V., by way of an Assignment recorded at Reel 012931, frame 0165.

II. Related Appeals and Interferences

Following are identified any prior or pending appeals, interferences or judicial proceedings, known to Appellant, Appellant's representative, or the Assignee, that may be related to, or which will directly affect or be directly affected by or have a bearing upon the Board's decision in the pending appeal:

NONE.

III. Status of Claims

This is an appeal from the Final Office Action mailed June 14, 2006. The Office Action rejected claims 1, 3-13, and 21-27. No claims are allowed. Claims 1 and 3-27 are pending. Claims 1, 12, 14 and 16 are independent. Claims 14-20 are withdrawn.

IV. Status of Amendments

All amendments have been entered.

V. Summary of Claimed Subject Matter

The subject matter recited in claims 1, 3-13, and 21-27 relates to methods for tracking marketers of a digital product such as peer-to-peer marketing of content. See page 6, line 12 to page 7, line 9. The various methods include storing user data associated with a plurality of registered users, wherein the user data includes an user identification code and payment information corresponding to each user (page 9, lines 12-21);
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transferring a data packet associated with the digital product and including a watermark (page 8, lines 1-9) storing the user identification code (page 8, lines 10-13); and updating the watermark to include a user identification code of a transferor (page 8, lines 13-15).

VI. Grounds of Rejection To Be Reviewed on Appeal

The following grounds of rejection are presented for review:

A. The Office Action rejects claim 1, 3-13, and 21-27 under 35 U.S.C. § 103(a) as allegedly being unpatentable over U.S. Patent No. 6,233,684 to Stefik et al. (hereinafter "Stefik") in view of the alleged "Applicant's own admissions."

VII. Argument

A. Rejection of Claims 1, 3-13 and 21-27 under 35 U.S.C. §103(a)

The Office Action mailed June 14, 2006, rejects claim 1, 3-13, and 21-27 under 35 U.S.C. § 103(a) as allegedly being unpatentable over U.S. Patent No. 6,233,684 to Stefik et al. (hereinafter "Stefik") in view of the alleged "Applicant's own admissions."

To establish a *prima facie* case of obviousness, three basic criteria must be met:

- First, there must be some suggestion or motivation, either in the references themselves or in the knowledge generally available to one of ordinary skill in the art, to modify the reference or to combine reference teachings.

- Second, there must be a reasonable expectation of success.

- Finally, the prior art reference (or references when combined) must teach or suggest all the claim limitations. The teaching or suggestion to make the claimed

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combination and the reasonable expectation of success must both be found in the prior art and not based on applicant's disclosure. In re Vaeck, 947 F.2d 488, 20 USPQ2d 1438 (Fed. Cir. 1991). See MPEP § 2143-§ 2143.03 for decisions pertinent to each of these criteria.

Here, the Examiner has failed to make a *prima facie* case of obviousness because the cited art references do not teach or suggest all the claim limitations, and because there is no teaching or suggestion, in the cited references or in the knowledge generally available to one of ordinary skill in the art, to combine the disclosure, teaching and suggestions of the references according to the combinations recited in the rejected claims.

1. Claims 1, 12 and 21

Claim 1 recites "storing user data associated with a plurality of registered users, wherein said user data includes a user identification code (userID) and payment information corresponding to each registered user of the plurality of registered users." This is for the purpose of "effecting payment to the registered user for the sale of the digital product by the registered user to user" (emphasis added).

With respect to the above-quoted subject matter, the Office Action refers to Figure 6 of Stefik, and more specifically reference numbers 603 and 605, as allegedly "clearly showing a registration step" that is associated with "a fee structure and identification number for channeling fees from a user to an author" (emphasis added). See pp. 6-7 of the Office Action. However, "channeling fees from a user to an author" is categorically different from "effecting payment to the registered user for the sale of the digital product by the registered user to user" (emphasis added).

To be more specific, in Stefik, the only plausible user information shown is that associated with the owner of the digital work and that attached to a particular rendering device, such as a printer. See col. 9, ln. 14-40. Regarding the availability of such user information, while it may enable channeling fees "from a user to an author," it cannot possibly "effect payment to the registered user for the sale of the digital product by the registered user to user" (emphasis added) as recited in claim 1. This is true because the only payee that Stefik contemplates is an owner of a digital work, as opposed to "a plurality of registered users" (emphasis added) that the above-quoted subject matter of claim 1 concerns.

The foregoing point is not surprising because Stefik is concerned with the owner's interest in "deterring or preventing unauthorized copying of the rendered work" (see col. 9, lines 35 -36) whereas the above-quoted subject matter recited in claim 1 is concerned with effecting the payment of a reward to a level n user, thereby encouraging legal distribution of a digital product.

Consequently, contrary to the Office Action's assertion, Stefik does not disclose, teach, or suggest "storing user data associated with a plurality of registered users, wherein said user data includes a user identification code (userID) and payment information corresponding to each registered user of the plurality of registered users" for the purpose of "effecting payment to the registered user for the sale of the digital product by the registered user to user" (emphasis added), as recited in claim 1. In fact, for the foregoing reasons, the subject matter disclosed in Stefik cannot possibly store user data according to the combination recited.

Claim 1 further recites, "transferring a data packet associated with the digital product from a registered users to another user, wherein the data packet includes a watermark storing the userID of the registered user such that each subsequent transfer of the data packet between users includes updating the watermark to include a userID of a transferor" (emphasis added).

With respect to this subject matter, the Office Action refers to "Figures 6, 7, and 10 as well as the associated text." See pages 10-11 of the Office Action. However, Figures 6, 7, and 10 and their associated text, taken as a whole, do not even teach or suggest updating a watermark, much less teaching or suggesting "updating the watermark to include a userID of a transferor" (emphasis added). In fact, Stefik does not even disclose, teach or suggest updating a watermark. Stefik only teaches creating a new watermark with a userID associated with a device that is used for rendering a digital product. See step 1705 in Fig. 17 and step 1208 in Fig. 12. To be more specific, every time a document of a digital work is printed according to Stefik, "a dynamically generated watermark font is created which contains the watermark information that was specified in the print right" (emphasis added). See col. 3, ln. 44-47.

Stefik is primarily concerned with including rights information in a watermark, such that once the document is printed, rights information will "travel with the document." See col. 12, ln. 55-57. Such a concern only leads to a need to create a new watermark, not a need to update an already existing watermark.

Even assuming, *arguendo*, that Stefik suggests updating a watermark according to the combination recited in claim 1, it is axiomatic that Stefik does not disclose, teach

or suggest updating a watermark in the context of transferring of digital works in a peer-to-peer environment where “each subsequent transfer of the data packet between users includes updating the watermark to include a userID of a transferor” (emphasis added), as recited in claim 1. Rather, Stefik discloses that, before a document is printed, a glyph box to be included as a watermark must be pre-selected in accordance with the anticipated maximum data size of the rights information. See col. 11, ln. 54-59. This means that any available glyph box, including the one having the biggest size, must have a data limit. Because a glyph watermark is limited in data size, Stefik does not disclose, teach or suggest that a watermark be updated with potentially unlimited inclusions of new dynamic information, such as userID of a transferor, resulting from potentially unlimited transfers, each requiring updating the watermark to include a userID of a transferor as recited in claim 1.

Consequently, contrary to the Office Action’s assertion, Stefik does not disclose, teach, or suggest “transferring a data packet associated with the digital product from a registered users to another user, wherein the data packet includes a watermark storing the userID of the registered user such that each subsequent transfer of the data packet between users includes updating the watermark to include a userID of a transferor” (emphasis added), as recited in claim 1. It is therefore respectfully submitted that the cited art references do not, each in itself, or in combination, disclose, teach or suggest all the claim limitations as set forth in claim 1.

Put differently, contrary to the Examiner’s assertion, Stefik does not teach “**storing user data associated with a plurality of registered users**, wherein said user

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data includes a user identification code (userID) and **payment information corresponding to each registered user of the plurality of registered users.**" Furthermore, Stefik does not teach "**effecting payment to the registered user for the sale of the digital product by the registered user to the user.**" There is no disclosure, teaching or suggestion in Stefik of "storing user data associated with a plurality of registered users." The only user information disclosed in Stefik is that attached to a particular rendering device, such as a printer. This user information in Stefik is read once, before the rendering process, and is added to the printed image within a watermark. Stefik states that, "Part of this process assures that any printer or workstation that has a copy of the document also has digital certificates which contain **information identifying the trusted system, trusted printer, user, and so on**" (col. 12:57-61) and "a computation is then performed to gather together the information to be embedded in the watermark and to incorporate it into a new font for the watermark character. First the information must be gathered from digital identification certificates belonging to the user or the trusted printer, such as names, locations, and the current date and time, step 1205. This information is "printed" internally into computer memory, creating a bitmap image of glyph boxes of different sizes, step 1206." (Col. 13:20-28).

As correctly admitted in the Office Action mailed January 9, 2006, the watermarking system shown in Stefik is used "to prevent copyright infringement and theft," whereas the watermarking system of the present invention is used to help "**effecting payment to the level n registered user for the sale of the digital product by the registered user to the user**" by tracking marketers of said digital product. In other words, the printing of a watermark

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containing a user ID, as taught by Stefik, is merely used as a deterrent to illegal reproduction of a document, whereas the userID according to the combinations recited in the rejected claims has a specific function: it is used to identify a registered level n user (transferor) who has transferred a digital product to a level n+1 user, to effect the payment of a reward to said level n user, thereby encouraging legal distribution of the digital product. The fact that the users are “registered users” as set forth in claim 1 of the present application ensures that the step of “transacting a purchase by the user of the digital product” will actually occur, thereby protecting the rights of the copyright owner.

Contrary to the Examiner’s assertion, Stefik does not teach “each subsequent transfer of the data packet between users includes updating the watermark to include a userID of a transferor.” As correctly admitted in the January 9, 2006, Office Action at page 5, line 2, the user ID shown in Stefik “is updated and placed in a watermark before allowing a digital work to be **rendered**,” not before **transferring** the digital product. What is shown in Figs. 6, 7 and 10 of Stefik is not “updating the watermark to include a userID of a **transferor**,” it is updating a watermark with a **user ID associated with a device that is used for rendering** the digital product, such as, e.g., a trusted printer.

In the January 9, 2006, Office Action the Examiner also admits that “Stefik does not specifically disclose a marketing aspect of the invention to include tracking of marketing components and events” and relies upon Applicant’s disclosure for this aspect of the invention. However, Applicant submits that there is no teaching or suggestion, in either Stefik or in the knowledge generally available to one of ordinary skill in the art, to combine the watermarks shown in Stefik with the marketing aspects recited in the present

application. In particular, there is no teaching or suggestion to combine the updating of the watermark by inclusion of a user ID, with the fact that this user ID identifies a re-seller of the digital product and is used to reward said re-seller for the legal distribution of the digital product. The only teaching of such combination is in Applicant's own disclosure, and "the teaching or suggestion to make the claimed combination and the reasonable expectation of success must both be found in the prior art and **not based on applicant's disclosure**" (emphasis added). See MPEP § 2143.

Independent claims 12 and 21 also contain the subject matter from claim 1 as discussed above. Hence, for at least the same reasons given for claim 1, it is respectfully submitted that Stefik does not disclose, teach or suggest the subject matter according to the combinations recited in claims 12 and 21. Accordingly, reconsideration and withdrawal of the rejection of claims 1, 12 and 21 is respectfully requested.

For at least the foregoing reasons, claims 1, 12 and 21 are patentable over Stefik in view of alleged Applicant's own admissions because the combination of Stefik in view of alleged Applicant's own admissions does not teach or suggest each and every element recited in claims 1, 12, and 21.

2. Claims 3-11, 13 and 22-27

Claims 3-11 are also allowable because they depend from claim 1, which is allowable over the cited reference based upon the above arguments, as well as for the separately patentable subject matter recited therein. Accordingly, reconsideration and withdrawal of their rejection is respectfully requested. Claim 13 depends from allowable independent claim 12 and thus is also allowable by virtue of its dependency, as well as

for the separately patentable subject matter recited therein. Claims 22-27 depends from allowable independent claim 21 and thus is as well believed to be allowable by virtue of their dependencies, as well as for the separately patentable subject matter recited therein. Accordingly, reconsideration and withdrawal of claims 3-13 and 22-27 is respectfully requested.

Further regarding claim 4, the Office Action takes "Official Notice" that "it would be obvious to include a watermark with preview sample to prevent fraudulent use." See p. 11 of the Office Action. In essence, the Office Action suggests that an owner of a copyrighted work has an incentive, even a necessity, to protect a preview file of the work from fraudulent use. This is not true. The very purpose of providing a preview file is to create interest in a copyrighted work by experiencing a partial content of the work for free. See p. 17 of the application. Protecting a preview file with any type of security measure is counterproductive to a copyright owner's interest. For the record, the application teaches embedding a watermark within a preview file, not for the purpose of protecting it, but for the purpose of facilitating the transfer of the full content of a digital work from a level n user to a level n+1 user. Hence, contrary to what the Official Notice has assumed, the application prefers that a preview file be not protected. See, e.g., claim 10.

It is therefore submitted that the Office Action is incorrect. Accordingly, reversal of the Examiner's Official Notice is respectfully requested.

Conclusion

For at least the reasons discussed above, it is respectfully submitted that the rejections are in error and that claims 1, 3-13 and 21-27 are in condition for allowance. For at least the above reasons, Appellants respectfully request that this Honorable Board reverse the rejections of claims 1, 3-13 and 21-27.

Respectfully submitted,

/Eric M. Bram/
Eric M. Bram
Reg. No. 27,285

November 14, 2006
Date

VIII. Claims Appendix

CLAIMS INVOLVED IN THE APPEAL:

1. A method for tracking marketers of a digital product, comprising the steps of:
storing user data associated with a plurality of registered users, wherein said user data includes a user identification code (userID) and payment information corresponding to each registered user of the plurality of registered users;
transferring a data packet associated with the digital product from a registered user of the plurality of registered users to another user, wherein the data packet includes a watermark storing the userID of the registered user such that each subsequent transfer of the data packet between users includes updating the watermark to include a userID of a transferor;
transacting a purchase by the user of the digital product; and
processing the payment information corresponding to the registered user who transferred the data packet for effecting payment to the registered user for the sale of the digital product by the registered user to the user.
3. The method of Claim 1, wherein the method is performed in accordance with a multi-level marketing business model.
4. The method of Claim 1, wherein the data packet includes a product content file including the content of the product and a preview file including a sample of the content of

the product, and wherein the watermark is embedded in the preview file.

5. The method of Claim 1, wherein the data packet includes a product content file, wherein the watermark is embedded in the product content file.

6. The method of Claim 1, wherein a portion of the data packet is encrypted, and wherein the step of transacting a purchase further includes the step of providing a key for decrypting the encrypted portion.

7. The method of Claim 1, wherein the step of transacting a purchase further includes the step of transmitting the updated watermark.

8. The method of Claim 1, wherein the step of processing the payment further includes the step of receiving the updated watermark.

9. The method of Claim 4, wherein the product content file is encrypted.

10. The method of Claim 4, wherein the preview file is not encrypted.

11. The method of Claim 6, wherein the data packet is secured for preventing use of the product by the user prior to receiving the key for decrypting.

12. A method for tracking marketers of a digital product, comprising:
 - updating history data stored within a watermark associated with a digital product every time the digital product is transferred, wherein the history data includes data associated with individuals who have transferred the digital product to another individual, and wherein each subsequent transfer between individuals includes updating the watermark to include a userID of a transferor;
 - accessing the history data;
 - transacting a sale of the digital product; and
 - rewarding the individuals who have transferred the digital product to another individual for affecting a sale of the digital product.

13. The method of Claim 12, wherein the method is in accordance with a multi-level marketing business model.

21. A method for enabling peer-to-peer marketing of content, comprising:
 - first transferring a first embodiment of at least one software module from an originator to a prospective reseller, the first embodiment being readable by at least one data processing device, the software module being adapted to
 - verify a watermark;
 - update sale history information upon transfer of a digital product; and
 - inform an originator of any such transfer of the digital product; and
 - second transferring, at least one second embodiment of at least one data package

from the originator to the prospective reseller, the second embodiment being readable by at least one data processing device, the data package comprising a respective watermark, respective sale history information, and a respective digital product that is separate from the respective watermark, wherein each subsequent transfer includes updating the watermark to include a userID of a transferor.

22. The method of claim 21, wherein the data package comprises
 - at least one encrypted product content file;
 - at least one key for use in decryption of the encrypted file; and
 - at least one preview file comprising the respective watermark, the preview file not being encrypted.
23. The method of claim 22, wherein
 - the encrypted product content file comprises at least one decryption key, identification of the digital product associated with the prospective reseller, and a respective second watermark; and
 - the preview file comprises the respective sale history information.
24. The method of claim 21, wherein the module is adapted to encrypt the respective watermark so that it is not accessible to the prospective reseller.

25. The method of claim 21, wherein the module is adapted to complete commercial aspects of transactions with second level consumers wishing to purchase the respective digital product from the prospective reseller.
26. The method of claim 21, wherein the module is adapted to allow second level consumers to transfer the respective digital product without purchasing it.
27. The method of claim 21, wherein the watermark is adapted to comprise respective sale history information for each transfer of the data package during peer-to-peer sharing and to report the same to the originator.

IX. Evidence Appendix

A copy of the following evidence 1) entered by the Examiner, including a statement setting forth where in the record the evidence was entered by the Examiner, 2) relied upon by the Appellant in the appeal, and/or 3) relied upon by the Examiner as to the grounds of rejection to be reviewed on appeal, is attached:

NONE

X. Related Proceedings Appendix

Copies of relevant decisions in prior or pending appeals, interferences or judicial proceedings, known to Appellant, Appellant's representative, or the Assignee, that may be related to, or which will directly affect or be directly affected by or have a bearing upon the Board's decision in the pending appeal are attached:

NONE